

***2002-2003 Resource Allocation Plan
Report and Recommendations
to the City Council***



***“Fiscal Leadership
For A Changing World”***

***BEVERLY O’NEILL
MAYOR
City of Long Beach
California***

August 15, 2002

August 15, 2002

Honorable Members of the City Council
City of Long Beach, California

SUBJECT: **2002-2003 Resource Allocation Plan Transmittal**

Dear Colleagues:

I am transmitting to you the City of Long Beach Budget for Fiscal Year 2002 – 2003. This budget package includes the City Manager Proposed Resource Allocation Plan and my Budget Recommendations.

The budget for Fiscal Year 2002 – 2003 reflects a troubled and changing economy, continuing increased costs and revenue losses resulting from September 11th, the significant loss of revenue from the reduction in the Utility User Tax, Homeland Security costs, and the increasing structural gap between increased demands for services and the revenue to support them. However, the budget also reflects some optimism for the future, anticipating increased revenue as a result of a decade of effort in creating a diversified economic base.

The tragic events of September 11th have affected all of us, and the fiscal impact on cities across the country has been significant. Long Beach absorbed over \$5 million in our Homeland Security costs due to overtime, new equipment and materials, and enhanced security measures at key facilities, among others. In addition, the revenue losses our city, as well as cities across the country, experienced in our sales and transit occupancy taxes, were significant. However, our citizens have been assured that even with increased costs, we continued to keep public safety as our #1 priority, and developed new collaborations with local, state and federal agencies to meet the new demands of Homeland Security.

Our General Fund Budget has increased over \$75 million, or more than 25% since 1994, including increases in public safety budgets of over \$48 million, or almost 29%. The police budget alone has increased \$37 million, or over 36% in that same time period.

Since the passage of Proposition J in 2000, we have until now been able to absorb the loss of revenue resulting from the annual incremental reduction in the utility user tax. This was accomplished through the use of one-time revenue sources. **Effective FY 03, the UUT loss to the general fund will total \$21 million, or almost twice the Library's current total budget.** This revenue loss, combined with reduced revenue directly attributable to the events of

September 11th, increased costs for homeland security and public safety, increased funding obligations, and the unknown impacts of the State's fiscal crisis, **define an alarming fiscal forecast and bring into serious question our ability to continue many of the programs and services that have contributed to our City's improved quality of life and economic renaissance.**

In the mid-1990's, our city was facing large budget deficits reaching over \$30 million, due to the extraordinary loss of jobs resulting from downsizing by the aerospace industry and closure of naval facilities. Budgeting was an arduous process, and other than public safety, enhancements were made only when other items were cut.

Our budget practice today has shifted, employing fiscal strategies to manage an ongoing structural deficit, including use of one-time revenue, unanticipated revenue windfalls, refinancing of debt, and internal fund transfers, while making significant enhancements without reductions.

AN ALARMING FISCAL FORECAST

For the current fiscal year (FY02), a \$7.1 million shortfall has been predicted, which will be balanced through a hiring freeze, expenditure reductions, and purchase deferrals. However, for FY03, a \$46.2 million deficit is projected, which the City Manager's proposed budget offsets, using one-time funding sources such as the Edison settlement monies, pension fund refinancing, the SERRF settlement, and through budget reductions.

In future fiscal years, the budget forecast becomes even more alarming. In FY04 a \$56 million shortfall is predicted. Projecting through FY05 and FY06, which will bear the full brunt of the loss of the UUT reduction to 5%, or a loss totaling \$35 million, deficits could reach even higher **if** our approach does not dramatically change.

Fiscal Year	Actual or Projected Deficit (<i>in millions</i>)
FY02	\$7.1
FY03	\$46.2
FY04	\$56.0

The budget-balancing strategy has depleted most of our one-time reserves, which take years to replenish, and has relied heavily on major revenue sources that are often unknown year-to-year. While this strategy allowed us to continue to maintain and even enhance services, **given the extraordinarily dire forecast of the future, our current fiscal policy and budgeting approach is no longer an option and must change if this city is to stay fiscally solvent for the future.**

EMERGENCY RESERVES MUST BE MAINTAINED

The City Council has wisely maintained an Emergency Reserve that now totals \$35 million. City Council policy mandates that we maintain this reserve at 10% of the General Fund budget. Our high credit rate has in part resulted from our maintenance of this reserve at current levels, and this must continue. September 11th has also taught us an important fiscal lesson -- *these reserves are in place for a reason*. Given the fiscal deficits projected for the future, the depletion of this reserve has been suggested as a budget balancing strategy. **I am vehemently opposed to the use of Emergency Reserves as a one-time budget-balancing mechanism.** **This dangerous strategy will place our financial stability in jeopardy, will possibly eliminate our ability to meet the needs of our citizens in emergencies, and is simply courting disaster. We would be fiscally irresponsible to continue meeting the budget gap in this manner.**

For the proposed FY03 budget, the City Manager employs current fiscal strategies to present a balanced budget and eliminate the \$46 million gap.

- Enhancements to non-public safety departments have been limited to programs with defined funding sources
- A 2% negative salary savings in all City Manager non-safety departments has been implemented, equating to a 2% across the board cut netting \$3.3 million in savings. The City Manager recommends this cut be implemented in all non-safety departments.

While I support the City Manager's desire to balance the budget while continuing to maintain service levels, it is clear our long-term financial situation demands a fundamental change in this approach.

As a result, my recommendations will outline additional, immediate cost-saving measures and a more conservative strategy to address our long-term fiscal challenges. Of critical importance is the recommendation for the development of an Immediate-Term Fiscal Strategy to be in place by the end of 2002.

To assist in these critical planning efforts, I have re-instated the **Mayor's Budget Advisory Committee**, which will be charged with advising us in evaluating our long-term financial outlook and in making recommendations on City policies and practices that can be re-tooled to meet our fiscal challenges. The committee, established in 1995 with four members, has now been augmented with three additional members, who bring expertise and knowledge in key areas and are listed below:

- ❖ **John Hancock**, President, Bancap Investment Group
- ❖ **Bennett Long**, Retired College Chief Financial Officer
- ❖ **Jane Netherton**, President & CEO, International City Bank
- ❖ **Thomas Wood**, Retired College President
- ❖ **Jim Brophy**, Former Chair of Neighborhoods Task Force for 2010 Strategic Plan
- ❖ **Scott Dionne**, Chairman, Long Beach Chamber of Commerce
- ❖ **Greg Williams**, Immediate Past President, Long Beach Commercial Real Estate Council

CAUTIOUS OPTIMISM

But in spite of the severe financial challenges that we face in the future, Long Beach still has much to look forward to. A number of developments will be completed this year. These projects include the new CityPlace that will open this fall bringing a new shopping presence downtown.

Residential units will follow at CityPlace and will join the new residential projects at Walker Building, Park at Harbour View, Insurance Exchange Building and several condominium developments that will be completed in the near future on Ocean Boulevard. These developments will all add to the critical mass our urban experience, making Long Beach more attractive to retailers.

Our downtown sector will be greatly enhanced with the building of the Pike at Rainbow Harbor, scheduled to open next fall, and the new terminal for Carnival Cruises that will be completed in early 2003. These developments will attract thousands of visitors to Long Beach—many of them for the first time—and many of them will travel to Long Beach on Jet Blue from eastern cities. Our airport is scheduled to reach 41-flights in October, making our strategic location even more attractive to air travelers.

These new revenue sources will in three years help us to regain an enhanced and stable revenue stream to support needed City services.

Our position in international trade has been fortified with the completion of the Alameda Corridor and the impending opening of the first phase of Hanjin's 375-acre terminal. The Port sustains its position as one of the world's busiest, and the most powerful economic driver for the Southern California region.

Our new state-of-the-art Emergency Communications and Operations Center will open next spring providing the city with even more resources for its public safety personnel. We have invested in our aging neighborhood infrastructure, and significant major corridor improvements were completed.

The Reason Public Policy Institute released findings earlier this year on the most efficient cities in delivering services to its citizens. Out of ten categories, Long Beach was ranked first or tied for first in four of the categories. It is an outstanding recognition of the work we have accomplished and we must sustain those efforts. The tough decisions that we must make in the next few months will determine how well we withstand the affects of the national recession and the State budget, while still adhering to the goals and objectives of the Strategic Plan 2010. We must never lose sight of our overall ambition to help make Long Beach one of the most uncommonly diverse and distinctive communities in America.

CITY MANAGER PROPOSED BUDGET ENHANCEMENTS

While I support the services provided by the proposed enhancements, and recognize these new programs are offset by new revenues or fees, or are a continuation of approved programs, given our fiscal situation, we need to review each to determine its priority and the potential for cost-saving measures.

- The following are the significant ongoing or new program enhancements included in the City Manager's budget.
 - ◆ ***Neighborhood Infrastructure***

A \$3 million investment in our neighborhood infrastructure provides for the continued improvement of curbs, gutters and sidewalks
 - ◆ ***Sustainability Program***

The first step in the creation of a Sustainable Development Board, a key objective of the Strategic Plan, was initiated with last year's budget recommendation. The continuation of this program will assist in the evaluation of sustainability policy, including building and purchasing guidelines.
 - ◆ ***Enhanced Business Friendly Services and Programs***

These enhancements provide additional services to our business community, including:
 - ***Business Help Desk***

The pilot program established last year has been institutionalized and will continue, helping to streamline service to our business community.
 - ***Business License Programs***

Last year, in collaboration with the Chamber of Commerce, we initiated programs to make our business license fees more in line with the needs of the business community, including the Business License Amnesty program and the Business License 15% Discount program.
- ◆ ***Quality of Life Programming***
 - ***Library Multi-Year Plan***

Investment in our Library system is important, and the enhancement of an additional \$165,000 for library books and materials is part of the next phase of the library's multi-year plan.
 - ***Social Service Grants***

These grants provide a \$450,000 investment in our many outstanding community-based agencies that work to meet the needs of our diverse population.
 - ***PCA***

This provides continued funding of the PCA at \$1.75 million, which includes the allocation of \$350,000 to support the Municipal Band concert program, allows capacity to assist the Long Beach Museum of Art, and support for Smithsonian Week.
- ◆ ***Mayor and City Council Continuing Programs***

Continuing ongoing recreational programs initiated in the last two years as enhancements by the Mayor and City Council, and identified as priorities by the community total over \$439,000. ***However, given our financial situation, we must also place these programs on the table and evaluate if they should be eliminated or placed on hiatus.***

PUBLIC SAFETY and HOMELAND SECURITY

PUBLIC SAFETY

One of the most critical enhancements to this year's budget is the addition of 11 sworn police officer positions, a continuing priority of the Mayor and City Council.

Our region and nation have experienced an increase in crime in recent years, and Long Beach is no exception. Attributed in part to the cyclical downturn in the economy, increased density in our urban areas, as well as other factors, our crime rate has continued to rise. Recent 2nd quarter data indicate overall crime has gone up 1.3% overall compared to the same time last year. However, more alarming is the continued increase in violent crimes, including a 52% increase in murder, a 29% increase in rape, and an almost 25% increase in aggravated assault for the 2nd quarter. We know the best solution to address this increase is through the addition of officers on the street, and the allocation of resources to support our public safety efforts.

- We heartily support the addition of 11 sworn police officer positions for FY03
- We support the additional funding provided in the Fire Department budget for critical equipment and materials, that enhances firefighter safety and life-saving capabilities.
- We support the increased funding needed for the completion of the Emergency Operations Center, which is scheduled to open in Spring 2003, and for the seismic retrofit of the Public Safety Building.

Gang violence in our City is on the rise, and we support the efforts of our Police Department and our Gang Intervention Unit in Parks, Recreation and Marine. However, more must be done to address this escalating problem through prevention, intervention and enforcement measures.

- The Police Department and the Gang Intervention & Prevention Program must continue to work collaboratively to address gang violence.
- Graffiti Abatement – We know graffiti is a contributing factor to gang activity. An allocation for an additional graffiti abatement team was not funded this year, and we recommend re-evaluating that decision as funding allows.
- After-school programs, such as the hundreds provided by youth-serving agencies, non-profits, and our Libraries and Parks, Recreation and Marine Department, as well as programs such as PAL, provide safe, productive places for children and youth, and help to prevent involvement in gang activity, and we must continue to look for creative and collaborative methods to provide these services.

HOMELAND SECURITY

September 11th has forever changed our nation and city's approach to public safety. We must not only protect our citizens from crime, but also from the potential of terrorist activity. As a waterfront community, and as home to the largest port complex in the country, the protection of our waterfront "border" has become a critical priority. In addition, we have an active municipal airport, which must also be protected through enhanced police presence.

We support the following Homeland Security measures implemented this year:

- We commend the Chief of Police and the Harbor Department for the establishment of our first-ever water-borne Police Patrols. This critical police force, under the jurisdiction of our Chief of Police, will work in collaboration with the new Federal Homeland Security Department and federal agencies such as the Coast Guard, INS, and Customs officers to secure our waterfront.
- We support the finalization of pending MOUs with the Harbor Department and the Airport Bureau, adding additional officers to support the increased demands in these areas.

In addition, we recommend the re-evaluation of unfunded requests for the following:

- CERT Teams: We support the continued training of our citizens as part of Community Emergency Response Teams (CERT). Currently, over 1,300 residents have been organized in neighborhood CERT teams, and additional training is being conducted for staff in office buildings. In our post 9-11 world, this training takes on additional importance. We recommend the re-evaluation of funding support for these teams at \$107,759.
- Disaster Preparedness: Our ability to respond to any disaster, either natural or man-made, is also of critical importance. We recommend the re-evaluation of funding support for disaster preparedness, totaling \$147,095.

CITY MANAGER'S NEW REVENUE / FEE ADJUSTMENTS

We support the fifteen General Fund fee increases, which help to pay for needed public safety equipment and services, six are increases for recreation programs that have been approved by the Recreation Commission, among others. In almost every instance, our fees are very competitive with the fees being charged in surrounding communities and by Los Angeles County. In addition, there are also fifteen Non-General Fund fee increases, which will bring specific services in line with actual costs incurred. In particular, the Refuse Rate includes a 7% user fee increase, which brings user charges that have not been raised in line with costs for the provision of those services. We note the following:

- ◆ The Ambulance Transport Fee increases are in line with surrounding jurisdictions, and help to fund critical Fire Department equipment needs and services.
- ◆ The Fire Prevention and Permit Fees will pay for the critically needed additional Arson Investigator.
- ◆ The proposed surcharges on plan checks and permit fees span two years and provide funding for technology improvements that will streamline services.
- ◆ The Recreation Commission approved six fee increases, which provide funding to allow enhanced services.
- ◆ Non-General Fund fee increases will bring specific services in line with actual costs incurred.

MAYOR'S RECOMMENDATIONS

As mentioned in my opening comments, while I support the City Manager's desire to balance the budget while continuing to maintain service levels, in order to ensure the financial viability of our city, the increasing gap between revenue and expenditures must be decreased. As a result, my recommendations outline additional, immediate cost-savings measures and a more conservative strategy to address our long-term fiscal challenges.

ACTIONS TAKEN THIS YEAR

I support the following City Manager recommended cost-cutting measures, which are already in place and will enable the budget to end the year balanced at zero, with no reserves.

- **A hiring freeze**
- **Expenditures reduced to 97% of budgeted levels**
- **Deferral of purchases and equipment**

IMMEDIATE FISCAL STRATEGY

In order to address this gap, as well as prepare for the anticipated \$56 million deficit in FY04, I recommend the following actions in addition to the City Manager's proposal:

I. Mayor's Budget Advisory Committee Re-Instated

- ✓ **To assist in the evaluation and development of long-term fiscal strategies, I have re-instated the Budget Advisory Committee.** This committee will be charged with advising in evaluating our long-term financial outlook and in making recommendations on City policies and practices that can be re-defined to meet our future fiscal challenges.

II. Immediate-Term Fiscal Strategy In Place By End of 2002

- ✓ Due to the alarming forecast of a \$56 million deficit for FY04, it is of critical importance that we not wait until the next budget cycle to address this deficit.
- ✓ **I recommend the City Manager, with the Mayor's Budget Advisory Committee, to develop a comprehensive fiscal strategy for Fiscal Year 2002-2003 by December 31, 2002. This strategy would outline cost-saving measures and long-term strategies *that balances the budget without the use of the City's Emergency Reserves.***

III. 2% Budget Savings Increased to 3% City-Wide

- ✓ **I recommend this reduction be increased to 3% to all General Fund departments, including public safety, elected official and non-City Manager Departments, totaling approximately \$9.6 million in savings.**
 - *If this reduction is applied to all General Fund departments, including elected official and non-City Manager Departments, **but excludes public safety**, the savings would total approximately **\$5.4 million**.*
 - *If applied to all the above departments **including public safety**, the savings would total approximately **\$9.6 million**. This reduction must be absorbed in individual department budgets through cost-saving measures, deferral of purchases, or review of programs.*

MAYOR'S RECOMMENDATIONS

IMMEDIATE FISCAL STRATEGY – *continued*

IV. Review All City Manager Proposed Enhancements

- ✓ *As mentioned earlier, while I support the services provided by the proposed enhancements, and recognize these new programs are offset by new revenues or fees, or are a continuation of approved programs, given our fiscal situation, each needs to be evaluated to determine its priority and/or potential cost-savings.*
- ✓ **Recommend the review of all City Manager Proposed Enhancements, identifying criticality and priority, and the potential for cost-savings.**

V. Review All Recent-Year Enhancements for Prioritization and Possible Cost-Savings

- ✓ **Recommend the review of all recent-year enhancements for potential cost-saving opportunities from non-priority programs, including:**
 - **Identification of program criticality, effectiveness, and prioritization**
 - **Evaluation of programs and personnel in grant-restricted funds, for potential cost-savings.**

VI. Savings through Attrition

The City has approved the recently negotiated increase to the employee PERS retirement package, resulting in anticipated significant retirements by employees from City service. In addition, we know the impact of the increased costs of this negotiated retirement package will impact the FY04 budget.

- ✓ **I recommend that each position vacated as the result of retirement be thoroughly reviewed, and if not critical, be left unfilled.**

VII. Discretionary Funds

- ✓ **Although the Council's Discretionary Funds have provided support for very worthwhile programs, given our tight fiscal situation, the elimination of Discretionary Funds for the foreseeable future seems inevitable.**

VIII. Allocation of Potential Enhancements

- ✓ **Given our critical fiscal situation, I recommend that any enhancements that are Budget changes proposed by the Council or Elected Officials be accompanied by a corresponding reduction in the budget.**

MAYOR'S RECOMMENDATIONS

LONG-TERM FISCAL STRATEGY

I. Implementation of the “Long Beach Plan”

We commend the City Manager and staff for the development of the “Long Beach Plan,” which is a comprehensive model providing the framework for good government -- a culture-changing approach that encourages efficiency and effectiveness in the delivery of services.

- ✓ **I recommend the implementation of the “Long Beach Plan,” providing an integrated approach to planning, measuring and delivery of services, which will also align the budget process within this framework.**

II. Continue to Aggressively Pursue all Opportunities for Revenue Enhancement

- ✓ **Recommend the City Council continue to support opportunities, which meet our strategic objectives, to enhance revenues thereby enabling continued delivery of City services.**

III. Long Term Fiscal Strategic Plan

As I stated earlier, it is clear our on-going structural deficit and long-term financial situation demands a fundamental change – a paradigm shift - in our budget approach.

- ✓ **I recommend that City staff develop a 3-Year Financial Strategic Plan that incorporates the framework of the immediate fiscal strategy created by the end of this calendar year, as well as the integrated approach of the Long Beach Plan.**

CONTINUING CITY-WIDE PRIORITIES – NOT FUNDED FOR 2002-2003

As the fifth largest city in the state providing a comprehensive range of services to a diverse population, the needs and demands for services continue to grow and cannot always be met, particularly in difficult budget times such as what we are experiencing now. However, we feel it wise to outline a few key areas that with the availability of future resources, should be reviewed for either new or additional funding.

➤ **Additional Neighborhood Code Enforcement Teams**

Two additional teams have been proposed. Code Enforcement Teams have been found to be highly effective in dealing with neighborhood blight. In particular, the “Fresh Start” teams, which take a combined enforcement approach, are an excellent solution to dealing with challenging properties and neighborhoods. An allocation for an additional two teams totaling \$480,350 is unfunded.

➤ **Alley Repair**

The City Council has indicated that the commencement of the repair of alleys is a priority. The cost to repair alleys citywide exceeds \$35 million. The first phase in the repair of alleys, totaling \$750,000 is unfunded.

➤ **Open Space – Mini Parks Development**

The creation of additional open space in the city is a critical priority and one which has been further defined through the development of our Open Space Plan. An allocation for further development of these parks, totaling \$250,000 is unfunded.

➤ **After-School Programming**

The provision of safe, productive places for our children and youth, particularly in the critical after-school hours, is of utmost importance. We must continue to pursue creative and collaborative efforts to enhance after-school resources throughout our city.

➤ **Graffiti Abatement**

Gang violence is on the rise in Long Beach, and graffiti is a contributing factor to gang activity. An allocation for an additional graffiti abatement team totaling \$129,116 is unfunded.

➤ **Homeless Service Assessment Study**

The City of Long Beach is home to a growing homeless population, which has adverse effects on neighborhoods, parks and schools, and businesses. Conversely, this population provides challenges with how best to address their needs, with the desired outcome of providing hope and options for this population. In order to address this complex issue, it is of vital importance that we base decisions on data and proven practices. A Homeless Service Assessment Study totaling \$200,000 is unfunded.

➤ **Homeless MultiService Center**

As with the Homeless Assessment Study, increased services for our homeless population is critical. An expansion to 7 days/week of our MultiService Center totaling \$460,000 is unfunded.

➤ **Youth Commission**

The creation of a citywide Youth Commission was a key objective of the Strategic Plan. The review of a Youth Commission commenced in February of this year. The Department of Parks, Recreation and Marine allocation to create this board and provide the appropriate staff and organizational structure that is needed, totaling \$246,036 is unfunded.

CONTINUING CITY NEEDS

➤ **CITYWIDE INFRASTRUCTURE**

We are pleased that we have been able to invest in Capital Improvements over the years, including infrastructure repair and major street and road improvements. However, there continues to be close to \$1 billion in infrastructure needs. We continue to support the development of a comprehensive infrastructure strategic plan by the City Manager, including prioritization of projects and funding sources based on council policy direction.

➤ **PUBLIC CORPORATION FOR THE ARTS**

The Public Corporation for the Arts' commitment to making Long Beach the "best place in the world for connecting families and kids to the arts" exemplifies their leadership in enhancing an environment where arts and culture flourish. There should be continued efforts to find additional, dedicated sources of funding for the arts, independent of the City's General Fund.

➤ **AMERICANS WITH DISABILITIES ACT**

The City of Long Beach continues to lead the nation in our investment in the improvement of the accessibility of facilities, curb ramps and bus stops to the disabled community, and we recommend our continued support of these important improvements.

➤ **LIBRARY SERVICES**

We heartily support increases to the Library Services budget for materials and books, as recommended by the City Manager and in accordance with the Library Multi-Year Plan. Family Learning Centers are operational at all twelve library sites, and have served over 40,000 students and their families.

ADDITIONAL COMMENTS AND RECOMMENDATIONS

➤ **STATE BUDGET**

As we know, as of this writing the State of California is mired in protracted budget discussions. The full magnitude of the State's deficit and its corrective action may not be known until after the November elections. We must be proactive through our Council State Legislative Committee and with our local elected delegation, to ensure that our city does not lose additional funding as the result of budget balancing practices.

➤ **HARBOR**

As the busiest container port in North America and one of the key drivers of our local and regional economy, the Port of Long Beach must continue to invest in capital improvements to stay ahead of competition. Understanding the need for this continuing infrastructure development, we thank the Board of Harbor Commissioners for their continuing support of the agreement that transfers 10% of their net operating profit to help fund the Tidelands CIP.

➤ **TIDELANDS**

The immediate and long term needs of our beaches and waterways continue, including the capital projects that have been deferred for many years. The Harbor Department provides continued assistance in funding this important community asset through the 10% transfer.

➤ **GAS FUND**

The Gas Fund (Long Beach Energy) has supported the General fund with an annual transfer of funds. This transfer is in lieu of the amounts the City would receive in property taxes, franchise fees and other fees and taxes if the utility were privately owned. For the last several years we have transferred \$12 million or more to the General Fund. We commend Long Beach Electric Department for their support of the General Fund with a transfer of \$7 million for FY 2002-2003.

➤ **EMERGENCY OPERATIONS CENTER**

We look forward to the opening of this critical, state-of-the-art facility in Spring 2003.

➤ **CITY/LBUSD COLLABORATIONS**

We recommend that the City and LBUSD continue ongoing dialogue and develop opportunities for City – School District collaborations that leverage existing resources.

➤ **LONG BEACH 710 FREEWAY**

The condition and congestion of the Long Beach 710 freeway continues to be a major concern, and the complete re-construction of this critical thoroughfare is a key priority for my administration. We heartily endorse the work of the Gateway Cities Council of Governments, working in collaboration with the City, Port, MTA and other agencies in developing a comprehensive regional strategy to address intermodal needs that have global consequences, and to prepare re-configuration and operational alternatives that address the complex transportation demands of this critical thoroughfare.

We support every available resource and effort needed to prepare the best possible proposal package for the Department of Transportation, yielding the highest possible funding in the next round of TEA-21 allocations.

VISION FOR THE FUTURE

Our budget for the 2002/03 fiscal year offers challenges similar to some of those faced by the City in the early 1990s. Those issues were resolved with the appropriate budget cuts and prudent spending. Today we must do the same. We cannot continue using one-time monies to balance our budget, which take years to replenish. It is our fiscal responsibility to address the increasing gap between revenues and expenditures. Working together, we will get through these tough fiscal times.

The future of our community is still filled with optimism and confidence. New residential units will be attracting additional citizens to Long Beach adding to our downtown urban core and dynamism. The completion of CityPlace, The Pike at Rainbow Harbor and the new terminal for Carnival Cruises will dramatically alter the landscape of our urban core—changing the face of our community.

Our goals and objectives, even if they must be put on hold for a year or two, are all achievable. Working together with a common purpose and an uncommon resolve, we can help to make Long Beach the most highly sought after waterfront community in Southern California.

ACTION REQUESTED

It is respectfully requested that the City Council:

A. Approve the 2002 – 2003 Resource Allocation, with the proposed amendments and recommendations, and recommend the City Council approve the following actions:

1. Direct the City Manager, with the Mayor's Budget Advisory Committee, to develop a comprehensive fiscal strategy for Fiscal Year 2003-2004 by December 31, 2002.
2. Implement a 3% Budget Reduction City-Wide, to all General Fund Departments, including public safety, elected official and non-City Manager Departments, effective October 1, 2002.
3. Direct the City Manager to review all proposed and recent-year enhancements, including programs using grant-restricted funds, and include those recommendations in the FY03-04 Fiscal Strategy report due December 31, 2002.
4. Direct the City Manager to review each position vacated as the result of retirement, and if not critical, be left unfilled.
5. Direct the City Manager to develop a 3-Year Financial Strategic Plan that incorporates the framework of the immediate fiscal strategy created by December 31, 2002, as well as the integrated approach of the Long Beach Plan.

Sincerely,

Beverly O'Neill
M A Y O R